

Message Text

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ORIGIN EB-11

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NEA-10 RSC-01 IO-13 TRSE-00 CIAE-00 INR-10 NSAE-00

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FM SECSTATE WASHDC

TO ALL DIPLOMATIC AND CONSULAR POSTS

UNCLAS STATE 179061

INFORM CONSULS

E.O. 11652: N/A

TAGS: EIND, ETRD

SUBJECT US FERROUS SCRAP EXPORTS

REF: DEPT'S A-7404, AUGUST 29, 1973

1. DEPARTMENT HAS BEEN INFORMED THAT FERROUS SCRAP BUYERS AND USERS IN A NUMBER OF COUNTRIES PLACING LARGE ORDERS (I.E., 500 SHORT TONS AND OVER) FOR 1973 SHIPMENT BASED ON REPORTS THAT USG PLANS TO RELAX FERROUS SCRAP EXPORT LICENSING CONTROLS IN COMING MONTHS. THERE NO RPT NO BASIS TO ANY SUCH REPORTS. PRESENT AND ANTICIPATED NEAR-TERM U.S. SCRAP SITUATION IS SUCH THAT THERE NO RPT NO LIKELIHOOD OF POST-JULY 1 1973 ORDERS OF 500 TONS OR MORE BEING LICENSED DURING REMAINING MONTHS OF CY 1973. ALSO STILL UNCLASSIFIED

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TOO EARLY TO VENTURE ESTIMATE AT THIS TIME AS TO WHAT USG

FERROUS SCRAP EXPORT POLICY WILL BE IN CY 1974.

2. U.S. DOMESTIC FERROUS SCRAP PRICES GENERALLY HAVE RISEN SINCE AUGUST 12 END OF PRICE CONTROLS, THUS CONTINUING UPWARD PRICE TREND WHICH BEGAN IN 1972. COMPOSITE PITTSBURGH, CHICAGO, PHILADELPHIA PRICE OF NUMBER ONE HEAVY MELTING SCRAP (THE GENERALLY ACCEPTED SCRAP PRICE INDICATOR), WHICH REMAINED AT \$55.00 PER LONG TON DURING PRICE FREEZE PERIOD, ROSE TO \$57.16 FOR WEEK ENDING AUGUST 31, AND STOOD AT \$57.83 AS OF SEPT 6. WE BELIEVE THIS UPWARD TREND MAY HAVE BEEN INFLUENCED BY POST-JULY 1 EXPORT ORDERS FOR CY 1973 SHIPMENT WHICH CONTINUES TO BE PLACED IN HOPES OF EARLY RELAXATION OF USG LICENSING CONTROLS. AS NOTED ABOVE, THERE NO LIKELIHOOD OF ANY RELAXATION THESE CONTROLS DURING REMAINDER OF CY 1973. ALSO, IT SHOULD BE NOTED THAT HIGH U.S. SCRAP PRICES LIKELY TO MEAN INTENSIFICATION OF U.S. SCRAP USER PRESSURES FOR CONTINUATION OF EXPORT CONTROLS.

3. ANALYSIS OF USG EXPORT LICENSES ISSUED TO DATE SHOWS SHARPLY INCREASED USE OF UNDER-500 TON ORDERS SINCE START OF LICENSING CONTROLS, IN NUMBER OF CASES FROM COUNTRIES THAT ORDERED LITTLE OR NOTHING IN UNDER-500 TON LOTS (EXCLUDING STAINLESS STEEL SCRAP) PRIOR TO CONTROLS. ANALYSIS OF 1,000 PRE-CONTROL PERIOD FERROUS SCRAP CUSTOMS EXPORT DECLARATIONS CHOSEN AT RANDOM SHOWS THAT APPROXIMATELY 2 PERCENT OF U.S. FERROUS SCRAP EXPORT VOLUME WAS ACCOUNTED FOR BY UNDER-500 TON ORDERS. IN JULY 1973, EXPORT LICENSES ISSUED FOR UNDER-500 TON ORDERS REPRESENTED 5 PERCENT OF TOTAL VOLUME LICENSED; AND IN AUGUST 1973 REPRESENTED 14 PERCENT OF VOLUME LICENSED. AUGUST 24 ANNOUNCEMENT OF SEPT 1973 LICENSING POLICY (SENT ALL POSTS IN REFAIRGRAM) NOTED THAT COMMERCE DEPARTMENT WOULD CONTINUE WATCH EXPORT VOLUME OF UNDER-500 TON ORDERS SO THAT THESE DO NOT REACH AN UNACCEPTABLE LEVEL, AND EMPHASIZED THAT EXPORTERS MAY NOT SUBSTITUTE SEVERAL SMALL ORDERS OF LESS THAN 500 TONS TO FILL A LARGE ORDER INELIGIBLE UNDER LICENSING SYSTEM.

4. POSTS IN COUNTRIES IMPORTING U.S. FERROUS SCRAP RE-
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QUESTED BRING ABOVE INFORMATION TO ATTENTION OF APPROPRIATE GOVERNMENT AND/OR INDUSTRY OFFICIALS. RUSH.

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